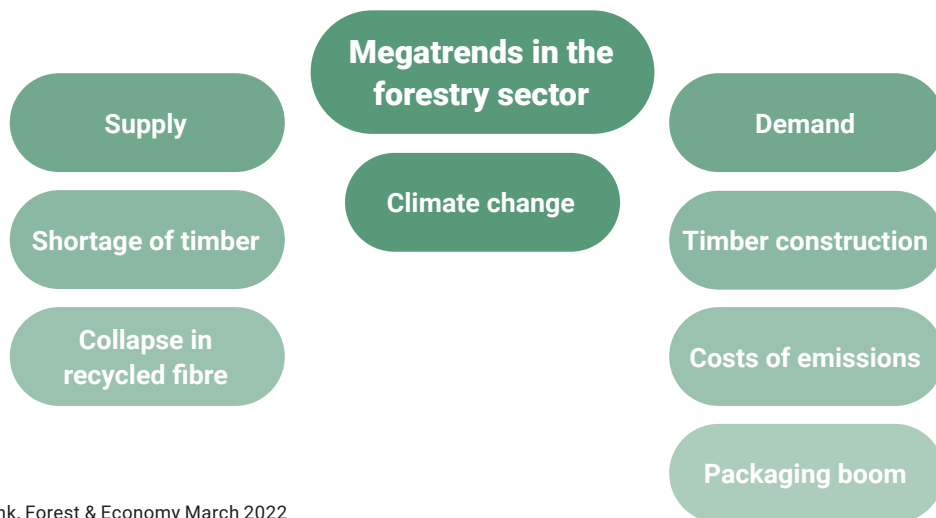


The world is crying out for wood fibre!

We base our business, and our future, on a number of strong underlying trends. These trends can be summarised in a single sentence: The world is crying out for wood fibre. There simply isn't enough.

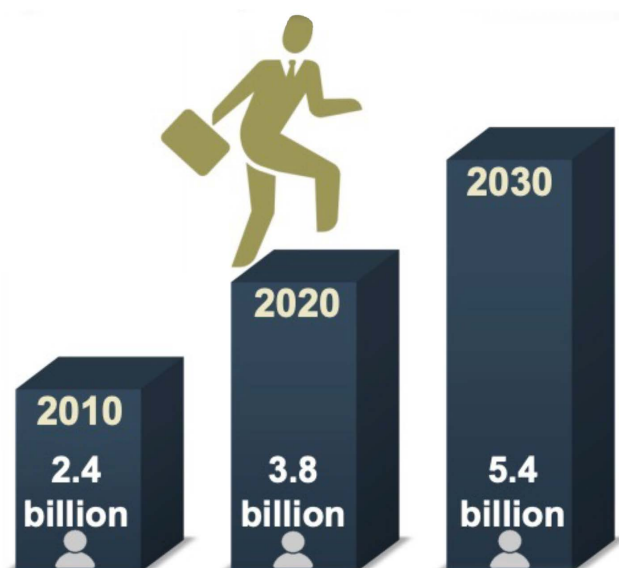


Source: Danske Bank, Forest & Economy March 2022

In terms of demand, building with wood is a trend that is expected to accelerate. The climate transition is fuelling demand for both emission allowances and alternative energy solutions. Changes in purchasing behaviour plus the general growth of a global middle class are generating a packaging boom. As people rise out of poverty, the demand for packaging increases. Over the next ten years, several billion people are expected to move from poverty to the middle class.

In the developed world, the pandemic has further reshaped our buying behaviour via increased e-commerce, while plastic packaging is being phased out.

THE GLOBAL MIDDLE CLASS IS GROWING RAPIDLY



Source: Statista 2021

If we look at climate change, it is having a huge impact on the whole forestry sector. Wood – the material of the future. In fact, wood can be used today to make everything you have been able to make from oil, and more. Think about the power of that sentence, and what it means to those who can supply the forest raw material. Wood is to the future what oil was to the 20th Century. Without the environmental hangover that oil leaves in its wake. Bio-based carbon fibre – stronger than any fossil-based material or plastic packaging alternative such as PET bottles – is already being produced today and is just a few steps from a commercial breakthrough. In addition, biofuels, including aviation fuel, are also now being produced on a small scale from wood raw materials. In fact, wood fibre-based materials are among the best substitutes currently available for many of today's pollutants. The increased willingness to put a price on carbon emissions is likely to benefit wood fibre. One sector that is developing rapidly is cross-laminated timber (CLT), where solid wood elements are used in the construction of multi-family buildings. The Canadian sawmill group Canfor, which bought a majority stake in Swedish Vida in 2018, expects demand for solid timber to double every two years over the next fifteen years.

The pace of climate change will – of necessity – accelerate, and that means only one thing. Demand for wood raw materials will increase, going forward.

What's the situation regarding the supply of wood raw materials? The short answer is: Not good. Today, a gap already exists, with demand outstripping supply. As time goes by, the gap will widen further because demand will increase, as described above, but supply will also decrease. Why? In particular, a shortage of coniferous timber seems likely in the near term, driven partly by

limited supplies, but also by insect infestations and increased provision for carbon storage and biodiversity. On the paper side, the transformation of the printing paper sector has created a severe shortage of recycled paper, which in turn increases the need for fresh fibre. Demand-side changes are also outpacing the physical growth of forests.

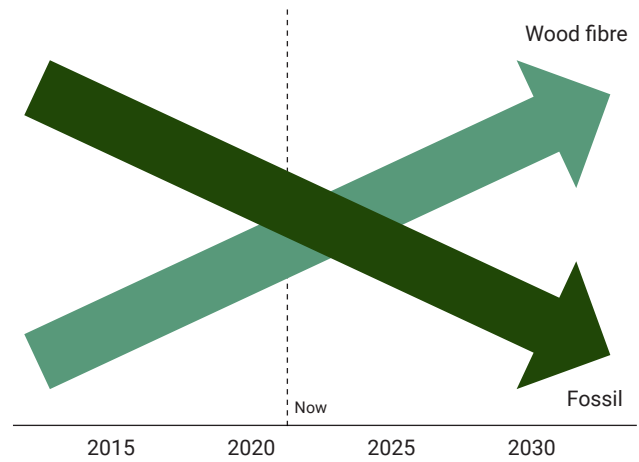
Our place in the world

So, against this exciting range of trends, our focus is on offering a solution: to supply Europe, or in fact the northern hemisphere, with fast-growing wood raw material.

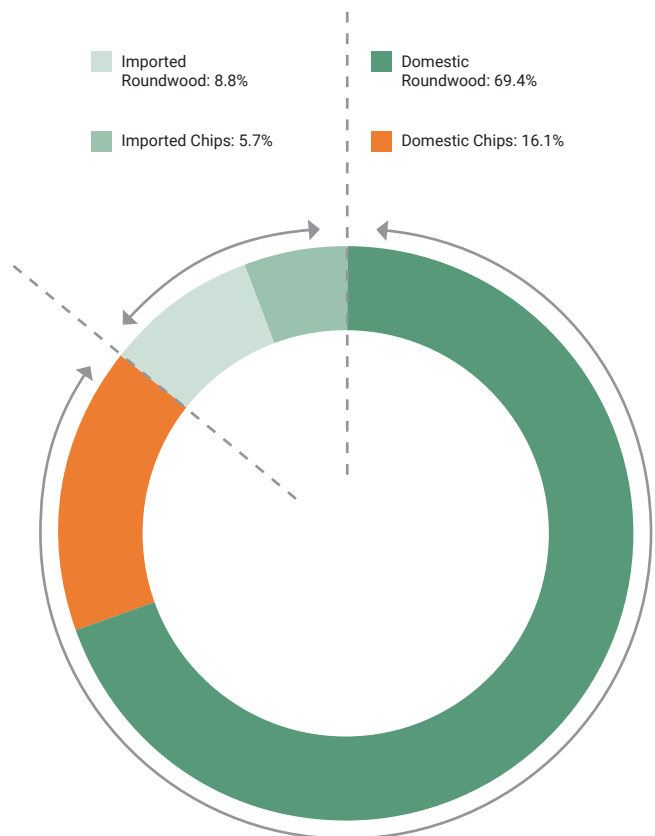
Europe is mainly supplied with domestic European forest raw material. Sweden and Finland are the giants here, accounting alone for about one third of roundwood production in the whole EU. If we look at the entire European consumption of wood as a raw material, more than 85 percent comes from Europe. At the same time, Europe is not where forests are growing fastest. The growth rate of eucalyptus in Brazil, where we operate, is about 30 cbm/ha/year and the rotation period (time from planting to felling) is short. For use in bioenergy it is about 5 years and for use in pulp it is about 7 years. These figures should be compared, for example, with pine, which according to the Swedish Forestry Act has a minimum age for final felling of between 60 and 100

years with a growth rate (“site quality”) of less than 10 cbm/ha/year. Pictured below is an eight-year-old eucalyptus tree from one of the plantations in Brazil. The tree’s size is equivalent to a 100-year-old pine tree and illustrates the effect in practice of the rapid growth rate.

ESTABLISHED MEGATRENDS



WOOD FIBRE CONSUMPTION IN EUROPE, BY ORIGIN



Source: Cepi 2020